

~~SECRET~~

1 - Mr. B. Adams
 1 - Mr. J. A. Mintz (sent direct)
 1 - Mr. T. W. Leavitt
 1 - Mr. S. S. Mignosa
 1 - [REDACTED]

b7C/1

4/22/76

The Attorney General

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 EXCEPT WHERE SHOWN
 OTHERWISE

Director, FBI

b7C/3

ATOMIC ENERGY ACT

Class. & Est. by *JPA*
 Reason - FOIA II, 1-2-
 Date of Review *4/22/96* 2-3

6/3/82

As you have been previously advised, Senator Howard Baker of the Joint Committee on Atomic Energy and Mr. George Murphy, Executive Director of the Committee, were orally briefed on March 19, 1976, in regard to the FBI investigation into the activities of Shapiro and the Nuclear Material Equipment Corporation (NUMEC), an Atomic Energy Commission subcontractor in Apollo, Pennsylvania.

By letter dated April 9, 1976, Mr. Murphy requested the FBI furnish the Joint Committee any and all documents relating to Shapiro and other individuals associated with the possible diversion of special nuclear material from the United States to a foreign government. Mr. Murphy indicated these files should include, but not be limited to, information

(b)(1)(4)(b) on alleged [REDACTED]

(c)

On April 19, 1976, Mr. Murphy orally requested the above information be submitted immediately. Mr. Murphy was advised that the FBI could furnish him with a memorandum concerning Shapiro but that the release of copies of file documents would have to be approved by the Attorney General.

REC-36

117-3564-*5019*

EX-110

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SEE NOTE PAGE 3

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 Dep. AD Inv. —
 Asst. Dir. —
 Admin. —
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 Files & Com. —
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 Spec. Inv. —
 Training —
 Legal Coun. —
 Telephone Rm —
 Director Sec'y —

MAIL ROOM

TELETYPE UNIT

57 29.1976

Classified by 5019

Exempt from E.O. 13526, Category 2

Date of Declassification Indefinite

Classified by *5019*
 Declassify on OADR

5/1/85

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DOCUMENT 520

GPO : 1975 O - 589-1

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The Attorney General

NOTE:

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(b)(1)(7)(a)

(S) [REDACTED]

Consequently, Senator Baker and Mr. Murphy, upon their requests, were orally briefed of the FBI investigations of Shapiro and NUMEC.

(b)(1)(4)(b)
(b)(1)(7)(a)

(C) [REDACTED]

Mr. Murphy therefore has requested copies of FBI file documents be furnished to the Committee. The Legal Counsel Division on 4/19/76, advised Mr. Murphy that a LHM concerning this material would be furnished to him but the release of copies of file documents would have to be approved by the Attorney General.

The attached memorandum and pertinent file documents are therefore being furnished the Attorney General for his review and appropriate action in accordance with instructions of the Legal Counsel Division as set forth in their memorandum to Mr. J. B. Adams, dated 4/19/76.

^{and one}
The original^A of the LHM is being furnished the Attorney General with copies to the Deputy Attorney General and the Assistant Attorney General-Legislative Affairs.

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(C) [REDACTED]

APPROVED: *[Signature]*
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Dep. AD Inv. *[Signature]*
Asst. Dir.: *[Signature]*
Admin. _____

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T-1002

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[~~SECRET~~]
1 - Mr. J. B. Adams
1 - Mr. J. A. Mintz
1 - Mr. T. W. Leavitt
1 - Mr. S. S. Mignosa
1 - Mr. R. K. McHargue

April 22, 1976

b7c/3

ATOMIC ENERGY ACT

The Federal Bureau of Investigation (FBI) has conducted two investigations of Dr. Shapiro. The first investigation was prompted by the Atomic Energy Commission (AEC) advising this Bureau in 1965 that the Nuclear Materials Equipment Corporation (NUMEC), an AEC subcontractor in Apollo, Pennsylvania, was negotiating with the Government of Israel to establish a joint company in Israel to be known as Israeli NUMEC Isotopes and Radiation Enterprises (ISORAD), Limited. The firm was to engage in the irradiation of citrus fruit. A Foreign Agents Registration Act investigation was initiated to determine if Shapiro was acting as an agent of the Israeli Government in the United States. During the course of this investigation, Shapiro was interviewed. He claimed his close relationship with the Israeli Government was strictly a business matter.

The results of this investigation were furnished to the Justice Department. In September, 1966, the Justice Department advised that the activities of Shapiro and NUMEC did not fall under the purview of the Foreign Agents Registration Act.

In February, 1966, the AEC advised there were indications that NUMEC was lax in the management of nuclear materials. Since April, 1957, AEC had made extensive internal technical checks at NUMEC and had reported the situation to the Joint Committee on Atomic Energy (JCAB). The Joint Committee was told by AEC on February 14, 1966, that in the absence of evidence or suspicion of a violation of the law, AEC had determined that inquiry by the FBI was not then warranted.

117-2564

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PM
D-1

Classified by SP19
Exempt from GDS, Category 3
Date of Declassification Indefinite

Classified by SP19
Declassify on: OADR
5/7/86

CNIS & Ext. By SP19 NATIONAL SECURITY INFORMATION
Laboratory 10781884 mg
Recd. Sgntr EGM II, 1-242 2/3... Unauthorized Disclosure
Date & Ext. Review 4/21/86 Subject to Criminal Sanctions

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10781884 mg
1-242 2/3... Armstrong
R. Scott

Training _____
Telephone Rm. _____
MATT. ROOM _____

TELETYPE UNIT

Enclosed

Form 10781884 mg
1-242 2/3... Armstrong
R. Scott

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b7c/3 [REDACTED]

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*per DOE
letter
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b7c/35*

According to AEC, NUMEC received 1,012 kilograms of uranium-235 from AEC to process into fuel elements for nuclear reactors for space propulsion. This subcontract was completed on October 31, 1964. In April, 1965, an AEC inventory indicated a loss, fixed by a later AEC check in November, 1965, at 61 kilograms valued at \$764,000. In addition, a survey of the plant's operations since 1957 revealed that NUMEC had experienced a total cumulative loss on all AEC subcontracts of 178 kilograms, all but 61 of which AEC considered properly accounted for by normal processing losses. AEC was unable to say unequivocally that theft or diversion of the 61 kilograms had not taken place, but AEC believed that NUMEC consistently underestimated its processing losses and that the loss of the 61 kilograms charged to the latest subcontract actually reported an accumulation of losses over an 8-year period. AEC pointed out, however, that because the NUMEC records system was not then so set up, no determination could be made as to when the various losses occurred or whether material provided for the latest subcontract was used knowingly or inadvertently, to offset losses on other contracts. (S) 4

*per DOE
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AEC advised that there would be no financial loss to the Government as NUMEC had agreed to pay for the 61 kilograms. In addition, NUMEC had developed a better system for controlling nuclear materials and an improvement was also expected due to NUMEC's hiring of a former AEC official. AEC advised, however, that prior to making more penetrating checks into NUMEC's operations, it was felt the FBI should be consulted to determine whether the FBI desired to assume investigation of the matter. (S) 4

The FBI advised AEC on March 1, 1966, that the FBI had given full consideration to this matter and that under the circumstances presented by AEC, the FBI did not intend to assume any investigative responsibility; however, it was requested that AEC advise the FBI of any further developments coming to its attention concerning this matter which would indicate there had been a violation within FBI jurisdiction.

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something
new happens &
another FBI
investigation
is begun
(IA)
info.

(b)(1)(1)(a)
(b)(1)(2)(a)
(b)(1)(4)(b)
(b)(1)(5)(a)
(b)(1)(7)(a)

(S)

(b)(1)(4)(b)

(C) David Lowenthal is the President of Raychord Corporation in Apollo, Pennsylvania. Lowenthal is also an officer of Apollo Industries in Pittsburgh, a company which was instrumental in establishing NUMEC through investment of a substantial amount of money in NUMEC stock.

(b)(1)(4)(b)

(S)(C)

(b)(1)(4)(b)

(C) Shapiro was active in fund raising and bond drives and was a heavy contributor to activities on behalf of Israel in the United States. (S)(U)

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(b)(1)(4)(b)
(b)(1)(7)(a)

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purdey (R) set 6/6/76 Sb:SSD 4/1/75
AEC subsequently interviewed Shapiro and thereafter, advised that no further action was being taken by AEC. Shapiro resigned his position as President of NUMEC in June, 1970. In January, 1972, Shapiro was employed as the Assistant in Charge of the Breeder Reactor Division, AEC, Westinghouse Electric Corporation, Monroeville, Pennsylvania. He held no security clearance and did not have access to classified materials. By letter dated April 15, 1969, the Department of Justice advised that based on the results of the FBI investigation conducted to date, the facts of the matter were not such as to warrant action against Shapiro.

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Assoc. Dir. *[Signature]*
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